

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to interest received after December 31, 1995, with respect to obligations issued after such date.

SEC. 07. SOURCE OF INCOME FROM CERTAIN SALES OF INVENTORY PROPERTY.

(a) **GENERAL RULE.**—Subsection (b) of section 865 of the Internal Revenue Code of 1986 (relating to exception for inventory property) is amended to read as follows:

“(b) **INVENTORY PROPERTY.**—

“(1) **INCOME ATTRIBUTABLE TO PRODUCTION ACTIVITY.**—In the case of income from the sale of inventory property produced (in whole or in part) by the taxpayer—

“(A) a portion (determined under regulations) of such income shall be allocated to production activity (and sourced in the United States or outside the United States depending on where such activity occurs), and

“(B) the remaining portion of such income shall be sourced under the other provisions of this section.

The regulations prescribed under subparagraph (A) shall provide that at least 50 percent of such income shall be allocated to production activities.

“(2) **SALES INCOME.**—

“(A) **UNITED STATES RESIDENTS.**—Income from the sale of inventory property by a United States resident shall be sourced outside the United States if—

“(i) the property is sold for use, consumption, or disposition outside the United States and an office or another fixed place of business of the taxpayer outside the United States participated materially in the sale, and

“(ii) such sale is not (directly or indirectly) to an affiliate of the taxpayer.

“(B) **NONRESIDENT.**—Income from the sale of inventory property by a nonresident shall be sourced in the United States if—

“(i) the taxpayer has an office or other fixed place of business in the United States, and

“(ii) such sale is through such office or other fixed place of business.

This subparagraph shall not apply if the requirements of clauses (i) and (ii) of subparagraph (A) are met with respect to such sale.

“(3) **COORDINATION WITH TREATIES.**—For purposes of paragraph (2)(A)(i), a United States resident shall not be treated as having an office or fixed place of business in a foreign country if a treaty prevents such country from imposing an income tax on the income.”

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to income from sales occurring after December 31, 1995.

SEC. 08. ENHANCEMENT OF BENEFITS FOR FOREIGN SALES CORPORATIONS.

(a) **IN GENERAL.**—Subsection (a) of section 923 of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (2), by striking “32 percent” and inserting “34 percent”, and

(2) in paragraph (3), by striking “ $\frac{16}{23}$ ” and inserting “ $\frac{17}{23}$ ”.

(b) **SPECIAL RULES RELATING TO CORPORATE PREFERENCE ITEMS.**—Paragraph (4) of section 291(a) of such Code is amended—

(1) in subparagraph (A), by striking “30 percent” for “32 percent” and inserting “32 percent” for “34 percent”, and

(2) in subparagraph (B), by striking “ $\frac{15}{23}$ ” for “ $\frac{16}{23}$ ” and inserting “ $\frac{16}{23}$ ” for “ $\frac{17}{23}$ ”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

D'AMATO AMENDMENT NO. 2678

Mr. SANTORUM (for Mr. D'AMATO) proposed an amendment to amendment

No. 2280 proposed by Mr. DOLE to the bill H.R. 4, supra, as follows:

(1) Except as provided in paragraph (2) of this subsection, in order for an eligible State to receive funds pursuant to Title I of this Act after April 1, 1996, the State shall enact legislation establishing a program fully conforming to the requirements of this Act by that date AND EFFECTIVE ON THE DATE OF DISCONTINUANCE OF THE STATE'S AFDC PROGRAM, IN ACCORDANCE WITH SECTION 112 OF THIS ACT.

(2) In the case of a State whose legislature meets biennially, and does not have a regular session scheduled in calendar year 1996, the requirement contained in paragraph (1) of this subsection shall be effective no later than the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of enactment of this Act.

KERRY AMENDMENT NO. 2679

Mr. MOYNIHAN (for Mr. KERRY) proposed an amendment to amendment No. 2280 proposed by Mr. DOLE to the bill H.R. 4, supra, as follows:

On page 124, beginning on line 16, strike all through page 127, line 2.

On page 127, line 3, strike “SEC. 202.” and insert “SEC. 201.”

On page 128, line 14, strike “SEC. 203.” and insert “SEC. 202.”

On page 129, line 7, strike “SEC. 204.” and insert “SEC. 203.”

On page 129, beginning on line 9, strike all through line 12, and insert:

(a) **IN GENERAL.**—Section 1611(e) (42 U.S.C. 1382(e)) is amended by adding at the end the following new paragraph:

On page 129, line 13, strike “(3)” and insert “(6)”.

On page 131, line 6, strike “SEC. 205.” and insert “SEC. 204.”

On page 131, line 5, strike “Sections 201 and 202” and insert “Section 201”.

On page 131, lines 7 and 8, strike “sections 201 and 202” and insert “section 201”.

On page 131, line 21, strike “or 202”.

On page 132, beginning on line 19, strike all through page 133, line 9.

On page 133, line 11, strike “sections 203 and 204” and insert “sections 202 and 203”.

On page 133, lines 17 and 18, strike “, as amended by section 201(a),”.

HARKIN AMENDMENT NO. 2680

Mr. MOYNIHAN (for Mr. HARKIN) proposed an amendment to amendment No. 2280 proposed by Mr. DOLE to the bill H.R. 4, supra; as follows:

At the appropriate place insert the following:

SEC. . SENSE OF THE SENATE REGARDING COMPETITIVE BIDDING FOR INFANT FORMULA.

(a) **IN GENERAL.**—The Senate finds that—

(1) the federal Supplemental Nutrition Program for Women, Infants and Children (WIC) is a proven success story, providing special nutrition and health assistance to at-risk pregnant women, infants and children;

(2) WIC has been shown to reduce the incidence of fetal death, low birthweight, infant mortality and anemia, to increase the nutritional and health status of pregnant women, infants and children and to improve the cognitive development of infants and children;

(3) research has shown that each dollar spent on WIC for pregnant women results in savings of \$1.92 to \$4.21 in Medicaid expenditures;

(4) because of funding limitations not all individuals eligible for WIC assistance are served by the program;

(5) infant formula is a significant item in the cost of WIC monthly food packages, amounting to approximately 26 percent of WIC food costs after subtracting manufacturer's rebates, but approximately 48 percent of food costs prior to applying rebates;

(6) rebates obtained through competitive bidding for infant formula have reduced the cost of infant formula for WIC participants by approximately \$4.1 billion through the end of fiscal year 1994, allowing millions of additional pregnant women, infants and children to be served by WIC with the limited funds available;

(7) the Department of Agriculture has estimated that in fiscal year 1995 rebates obtained through competitive bidding for infant formula will total over \$1 billion, which will enable WIC to serve approximately 1.6 million additional women, infants and children; and

(8) because of the very substantial cost savings involved, Congress enacted in 1989 legislation requiring that states administering the WIC program conduct competitive bidding for infant formula.

(b) **SENSE OF THE SENATE.**—It is the Sense of the Senate that any legislation enacted by Congress should not eliminate or in any way weaken the present competitive bidding requirements for the purchase of infant formula with respect to any program supported wholly or in part by federal funds.

AUTHORITY FOR COMMITTEE TO MEET

SUBCOMMITTEE ON TERRORISM, TECHNOLOGY, AND GOVERNMENT INFORMATION

Mr. GRASSLEY, Mr. President, I ask unanimous consent that the Subcommittee on Terrorism, Technology, and Government Information of the Committee on the Judiciary be authorized to meet during the session of the Senate on Friday, September 8, 1995, at 10 a.m. in SH-216 to hold a hearing on “The Ruby Ridge Incident.”

The PRESIDING OFFICER. Without objection, it is so ordered.

IMPROVED RELATIONS BETWEEN TURKEY AND ARMENIA

Mr. SIMON, Mr. President, sometimes the good news that we get comes in small pieces that we hope portend better things to come.

The recent agreement between Turkey and Armenia for an air corridor is a small step toward improved relations between those two countries but, nevertheless, it is a positive development. It would be a mistake to exaggerate it, but it would be a mistake to ignore it.

I noticed that when Prime Minister Tansu Ciller visited Azerbaijan, she returned to Turkey by way of the corridor over Armenia and was the first high-ranking Turkish official to use the air corridor. While she traveled, she congratulated Armenian President Levon Ter-Petrossian on the victory of his party in the July 5th parliamentary elections in Turkey.

These concessions seems small, indeed, and they are small. But I hope they can result in improvements.

I recall, about 2 years ago, flying in a U.S. military plane to Armenia. The Turkish Government would not let us fly over Turkey to go to Armenia—